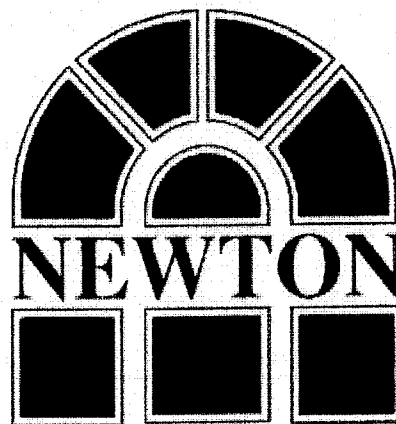


# **CITY OF NEWTON, IOWA**

## **Independent Auditor's Reports**

**Basic Financial Statements And  
Supplementary Information  
Schedule Of Findings And Questioned Costs**

**June 30, 2007**

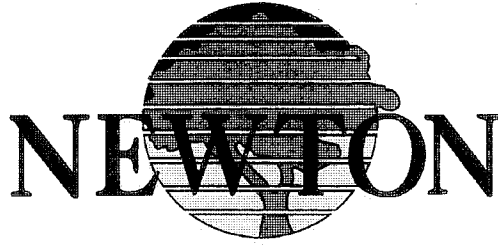


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## **INTRODUCTORY SECTION**



March 31, 2008

To the Honorable Mayor, City Council, and Citizens of the  
City of Newton, Iowa

I am pleased to submit the annual financial report for the City of Newton, Iowa, for the fiscal year ended June 30, 2007, and to also provide information about the City organization and community. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial statements on a cash basis of accounting. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

The annual financial report is presented in four sections: introductory, financial, compliance and statistical. The introductory section includes the table of contents, letter of transmittal, the government's organizational chart, and a list of City officials. The financial section includes the independent auditor's report, management's discussion and analysis, basic financial statements and required supplemental information. The statistical section includes selected financial and demographic information generally presented on a multi-year basis.

The Compliance Section of this report includes the auditor's report on internal control over financial reporting and compliance with requirements applicable to laws, regulations, contracts, and other matters.

The City of Newton has operated under a Mayor-Council form of government with an appointed City Administrator since 1982. Policy-making and legislative authority are vested in the governing Council, which consists of a Mayor, and six-member Council. The City Council is responsible for adopting ordinances, policy resolutions, the annual budget and six-year Capital Improvements Program, appointing committees, and hiring the City Administrator and City Attorney. The City Administrator is responsible for overseeing the day-to-day operations of the government and for appointing and supervising the City's department directors. The City Council is elected on a non-partisan basis to four-year staggered terms with three Council members elected every two years. The Mayor is elected for a two-year term. Four of the Council members are elected within their respective wards, and the Mayor and the two remaining Council members are elected at-large.

This report includes all funds of the City of Newton. The City provides a full range of services including police and fire protection; sanitation services; the construction and maintenance of roads, streets and infrastructure; inspection and licensing functions; maintenance of grounds and buildings; municipal airport; library; cemetery and parks and recreation activities. In addition to general government activities, the municipality owns and operates enterprises for a regional landfill, water pollution control facility, parking facilities, and golf course.

## **ECONOMIC CONDITION AND OUTLOOK**

The City of Newton serves as the Jasper County seat and a local employment center. It is a regional retail hub, with a wide array of shopping and services. The 2006-07 fiscal year was a time of transition for the local economy, but through forward-looking actions, the City dealt effectively with the changes and set a course for stability and growth in the future.

The Maytag Corporation had called Newton its home for over 100 years, but the 2006-07 fiscal year saw the Maytag era in Newton near its end. The corporation continued its layoffs in its manufacturing and office functions throughout the year, setting a course to completely pull out of Newton by the end of calendar 2007. The loss of thousands of jobs and its iconic corporate presence was a blow to the local Newton economy.

The community responded with several proactive steps. The City facilitated the re-use of the Maytag corporate downtown campus by entering into a re-development agreement with Iowa Telecom and the Des Moines Area Community College (DMACC). Per the terms of this agreement, Iowa Telecom would expand its Newton presence by consolidating its corporate operations and would seek to market the remainder of the office space it acquired from Maytag. In the spring of 2007, Iowa Telecom successfully filled a former Maytag call center space by leasing it to a phone support company called Caleris. DMACC also is planning to expand its educational offerings in Newton by taking ownership of some of the former Maytag space and seeking to renovate it into a career academy for local students.

On the manufacturing side, the Maytag factory facilities were purchased by Industrial Realty Group (IRG) in December 2006. IRG is the largest owner of re-used factory space in the country, and it has many contacts to pursue to help fill the space with new manufacturers. Many companies are looking at Newton because of its available labor force. While this availability is an unfortunate outcome of Maytag's layoffs, it does make Newton attractive for new factories that seek a reliable skilled work force. The City pursued several new companies throughout 2006-07 and is optimistic for the prospects of drawing new industrial jobs to Newton.

The Newton business climate was not entirely dependent on Maytag. As a town of about 16,000 on the eastern edge of the growing Des Moines metropolitan area, Newton is well positioned to continue to be strong after Maytag has left. It is located on Interstate 80; one of the country's busiest transportation routes, and it is the home to

large, stable employers such as Vernon Company, Newton Manufacturing, Thombert Inc., Rock Communications, and Cline Tool. The housing market has also been stable, with home sales and prices staying steady throughout the course of Maytag's departure. The stability exhibited by the local economy bodes well for Newton's future.

The centerpiece for Newton's economic resurgence in fiscal 2006-07 was the opening of the Iowa Speedway. This \$70 million world-class facility opened in September 2006 and hosted several large events throughout the year. The Speedway consists of a 7/8 mile oval racetrack, an infield road course, over 25,000 permanent grandstand seats, and two dozen luxury suites. Developed as a public/private partnership, the Speedway was designed by auto racing champion Rusty Wallace and a team of experienced architects. It has hosted several large races and also serves as a venue for non-motorsports related events like concerts. Taking advantage of its location adjacent to the Newton airport and Interstate 80, the Iowa Speedway is a big draw of economic activity to the community. On June 24, 2007, the Indy Racing League held a race in Newton that drew nearly 40,000 spectators. Broadcast live around the globe, the race was another indicator that Newton was a "can-do" community on a strong path for the future.

### **CITY OPERATIONS**

The Mayor, City Council and City staff conduct strategic planning activities on a regular basis in order to provide the City with a firm sense of direction about its future as well as to evaluate current activities. The City will be conducting a strategic planning workshop in April of 2008.

### **FINANCIAL INFORMATION**

City administration is responsible for establishing and maintaining internal control designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure adequate accounting data is compiled to allow for the preparation of financial statements in conformity with the cash basis of accounting which is an other comprehensive basis of accounting. Internal control is designed to provide reasonable but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

### Budgeting Controls

The City maintains budgeting controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. All funds are included in the annual appropriated budget with the exception of non-expendable trust funds, the internal service fund, and agency funds. The level of budgeting control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the program level.

As demonstrated by the financial statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

### Debt Administration

At June 30, 2007, the City of Newton had a number of debt issues outstanding. These issues included \$23,574,852 of general obligation bonds, \$2,346,220 of sewer revenue capital loan notes, \$72,012 of capital leases and \$140,000 of special assessment bonds and notes. The government has maintained its A1 rating from Moody's Investors Service on general obligation bond issues. Under current state statutes, the government's general obligation debt issues are subject to a legal limitation based on 5 percent of total actual value of real property. The government's net general obligation debt of \$26,133,084 was below the legal limit of \$35,800,557 and debt per capita equaled \$1,677.46.

The City looks for, and calls in, bond issues that will generate annual principal and interest savings.

### Cash Management

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, U.S. Treasury securities, and authorized mutual funds. The investment policy adopted by the City Council stresses the importance of capital preservation. The policy directives intend to minimize credit and market risks while maintaining a competitive yield on the portfolio. Accordingly, deposits were either covered by federal depository insurance or collateralized. All collateral on uninsured deposits was held either by the State Treasurer, the government, its agent, or a financial institution's trust department in the government's name. All of the investments subject to risk categorization were classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

### Risk Management

The City is fully insured for its general and auto liability as well as public official, police professional, and ambulance professional liability. Workers' compensation coverage is provided through a statewide risk pool for local governments, the Iowa Municipalities Workers' Compensation Association (IMWCA). The City has also established a self-insurance plan for medical, dental, and prescription drug expenses and purchases specific and aggregate stop-loss coverage from HCC / Comrisk Reinsurance. American Administrators has provided third party administration of the pool for the City since January 1, 2003.

## **OTHER INFORMATION**

### Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Nolte, Cornman & Johnson P.C. was selected for this purpose. The independent auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

### Evaluation by Moody's Investors Service

In 2007, Moody's Investors Service affirmed its A1 rating to the City of Newton's general obligation debt. In its affirmation, Moody's indicated that the assignment of the "A1 rating is based on the City's moderately sized tax base that has begun to address challenges related to the closing of the Maytag corporate headquarters and its research/production facilities; the return to structural balance in the City's various funds; and above average debt profile.

Acknowledgments

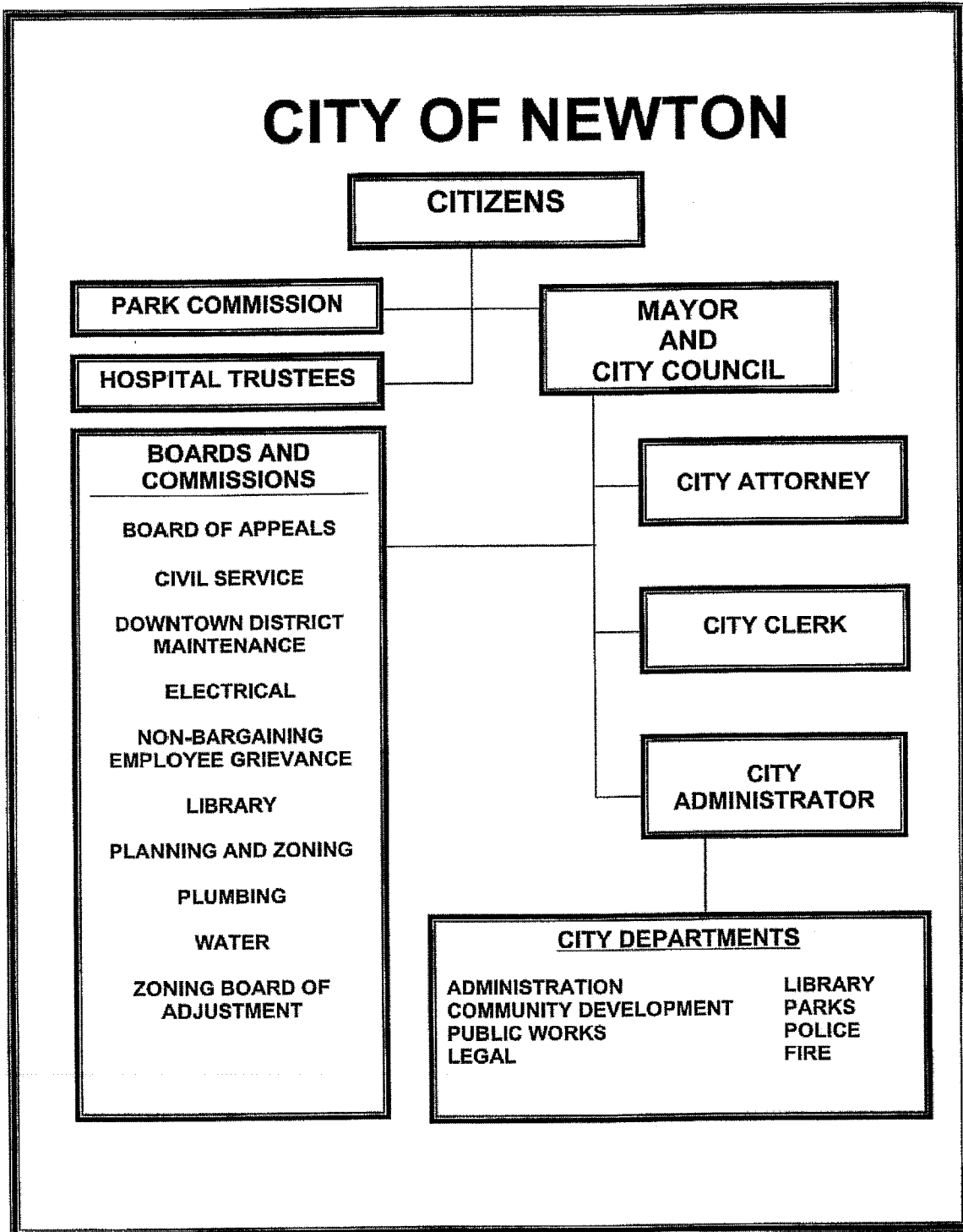
I am grateful for the support and interest of the Mayor and City Council, department directors and other management staff for their conscientiousness in planning and conducting the financial operations of the City of Newton in a responsible and progressive manner. Preparation of this report could not have been accomplished without the efficient and dedicated services of the Administration Department staff and the efficient assistance of the City's independent auditors, Nolte, Cornman & Johnson P.C.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'David Watson', with a stylized flourish at the end.

David Watson  
City Administrator

# CITY OF NEWTON



City of Newton, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charles Allen	Mayor	December 31, 2007
Jon Ewing	Council-At-Large	December 31, 2009
Ron Foreman	Council-At-Large	December 31, 2007
Jean Morgan	Council-First Ward	December 31, 2007
Michael Hansen	Council-Second Ward	December 31, 2009
A. J. "Jim" Greve (Deceased)	Council-Third Ward	December 31, 2007
Marvin Morris	Council-Third Ward	December 31, 2007
Steve Mullan	Council-Fourth Ward	December 31, 2009
David Watson	City Administrator	Appointed
Darrin T. Hamilton	City Attorney	Appointed
Candice Van Zee	City Clerk	Appointed

## **FINANCIAL SECTION**



**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Newton, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Newton. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Newton at June 30, 2007, and the respective changes in financial position – cash basis for the year then ended in conformity with the basis of accounting described in Note 1.

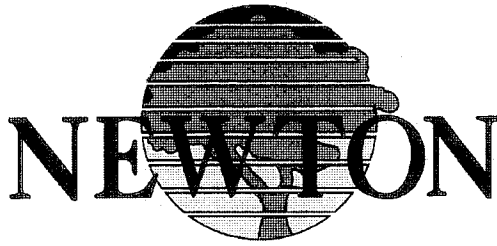
In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 11 through 17 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements that collectively comprise the financial statements of the City of Newton. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedule 1 through 5, is presented for purposes of additional analysis and is not required parts of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section tables have not been subject to the auditing procedures applied by us in the audit of the financial statements, and accordingly we express no opinion on them.

  
NOLTE, CORNMAN & JOHNSON, P.C.

Newton, Iowa  
March 25, 2008



## **CITY OF NEWTON, IOWA MANAGEMENT DISCUSSION AND ANALYSIS**

The City of Newton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- The City's General Fund receipts of \$7,363,464 increased \$891,456 or 13.77% from the FY 2006 receipts of \$6,472,008.
- General Fund property taxes increased by \$857,312 or 25.40% to \$4,232,022 over the FY 2006 tax collections of \$3,374,710.
- The City's General Fund disbursements of \$7,646,753 increased \$425,521 or 5.89% from the FY 2006 disbursements of \$7,221,232.
- The City's General Fund end of year cash balance of \$2,394,327 increased \$220,539 or 10.15% from the FY 2006 cash balance of \$2,173,788.
- There were no significant changes in the City's operations.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consists of a statement of activities and changes in cash balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information provides detailed information about the annual budget, nonmajor governmental funds and debt obligations.

### **REPORTING THE CITY AS A WHOLE**

The statement of activities and changes in cash balance presents information showing how the City's cash balance changed during the most recent fiscal year.

The City's governmental activities are displayed in the statement of activities and changes in the cash balance. Governmental activities include public safety public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

The business-type activities of the City include the landfill, sanitary sewer system, and other non-major enterprise funds. These activities are financed primarily by user charges.

#### ***Fund Financial Statements***

The fund financial statements provide detailed information about individual, significant funds; not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to help it control and manage money for particular purposes.

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. Governmental funds are reported on the basis of cash receipts and disbursements. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Financial records and reports are prepared on the basis of when cash is received and disbursed. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide statement of activities and changes in cash balance. The City maintains two Enterprise Funds to provide separate information for the landfill and sanitary sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The Internal Service Fund utilized by the City accounts for employee group health insurance.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, the City reports the activities of the funds using the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

#### **Governmental Activities**

The City's end of year cash balance for governmental activities of \$6,352,142 decreased \$3,465,239 or 35.30% from the FY 2006 end of year cash balance of \$9,817,381. This decrease is attributed to the Speedway project.

Changes in Cash Balance of Governmental Activities (Expressed in Thousands)			
	Governmental Activities		Total Change
	2007	2006	2006-07
Receipts and Transfers:			
Charges for service and sales	\$ 2,211	2,168	1.99%
Operating grants, contributions and restricted interest	1,656	1,473	12.45%
Capital grants, contributions and restricted interest	4,515	537	740.61%
General revenues:			
Property tax	7,231	5,995	20.62%
Unrestricted investment earnings	298	239	24.88%
Bond proceeds	740	14,626	-94.94%
Other general receipts	2,805	2,862	-2.00%
Transfers	(506)	111	-555.44%
Total receipts and transfers	18,950	28,011	-32.35%
Disbursements			
Public safety	5,190	5,164	0.50%
Public works	2,191	2,141	2.34%
Health and social services	13	15	-11.69%
Culture and recreation	1,550	1,491	3.98%
Community and economic development	8,346	7,687	8.58%
General government	1,147	1,180	-2.81%
Debt service	3,025	3,570	-15.27%
Capital project	547	1,092	-49.92%
Total disbursements	22,009	22,340	-1.48%
Increase(Decrease) in cash balance	(3,059)	5,671	153.93%
Cash Balance Beginning of Year	9,664	3,993	142.02%
Cash Balance End of Year	\$ 6,605	9,664	-31.65%

Changes in Cash Balance of Business-Type Activities (Expressed in Thousands)			
	Business-Type Activities		Total Change
	2007	2006	2006-07
Receipts and Transfers:			
Program receipts:			
Charges for service and sales:			
Landfill	\$ 1,059	1,008	5.10%
Sewer	2,174	2,206	-1.46%
Other	479	427	12.17%
General receipts:			
Unrestricted investment earnings	61	116	-47.39%
Bond proceeds	27	0	100.00%
Other general receipts	69	158	-56.45%
Transfers	506	(111)	-555.44%
Total receipts and transfers	4,375	3,804	15.00%
Disbursements and Transfers:			
Landfill	1,067	689	54.88%
Sewer	3,054	2,075	47.19%
Other	428	414	3.31%
Total disbursements	4,549	3,178	43.14%
Increase(Decrease) in cash balance	(174)	626	127.79%
Cash Balance Beginning of Year	3,552	2,926	21.39%
Cash Balance End of Year	\$ 3,378	3,552	-4.90%

## **THE CITY'S INDIVIDUAL MAJOR FUNDS**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are major reasons for the changes in cash balances from the prior year for the City's major funds.

### **Governmental Funds.**

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$2,394,327 increased \$220,539 or 10.15% from the prior year ending cash balance of \$2,173,788.

### **Proprietary Funds.**

- The Sewer Fund end of year cash balance of \$1,105,053 decreased \$246,666 or 18.25% from the FY 2006 end of year cash balance of \$1,351,719.
- The Landfill Fund end of year cash balance of \$1,937,486 increased \$19,291 or 1.01% from the FY 2006 end of year cash balance of \$1,918,195.

### **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the City Council annually adopts a budget following a required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once.

### **DEBT ADMINISTRATION**

At FY2007 year-end, the City had \$26,133,084 in bonds and other long-term debt compared to \$27,532,270 last year as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	2007	2006
General obligation bonds	\$ 23,575	\$ 24,524
Special assessment bonds and notes	140	175
Capital leases	72	116
Sewer revenue capital loan notes	<u>2,346</u>	<u>2,716</u>
Total	\$ 26,133	\$ 27,532

The City's general obligation bond rating continues to be A1 rating as rated by Moody's. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$23,574,852 is below the City's legal debt limit.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

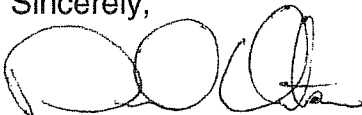
## **ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE**

The City implemented an additional one cent sales tax effect July 1, 2006. This additional revenue will provide debt relief to taxpayers, as well as funding for various programs and capital acquisitions.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

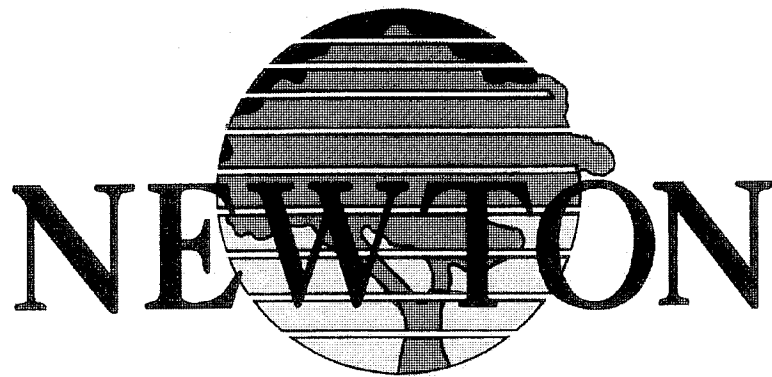
This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact David Watson, City Administrator, 101 West 4<sup>th</sup> Street South, Newton, Iowa.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Watson', with a stylized flourish at the end.

David Watson  
City Administrator

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## BASIC FINANCIAL STATEMENTS

CITY OF NEWTON, IOWA  
STATEMENT OF ACTIVITIES AND CHANGES IN CASH BALANCES  
YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Receipts			Net (Disbursements) Receipts		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Governmental activities:						
Public safety	\$ 5,189,928	950,431	157,174	0	(4,082,323)	0
Public works	2,191,174	849,020	1,298,430	0	(43,724)	0
Health and social services	12,898	0	0	0	(12,898)	0
Culture and recreation	1,549,961	141,439	0	0	(1,408,522)	0
Community and economic development	8,346,277	0	180,398	4,107,975	(4,057,904)	0
General government	1,147,004	270,288	20,456	0	(856,260)	0
Debt service	3,025,150	0	0	0	(3,025,150)	0
Capital projects	546,950	0	0	406,910	(140,040)	0
Total governmental activities	22,009,242	2,211,178	1,656,458	4,514,785	(13,626,821)	0
Business-type activities:						
Landfill	1,067,136	1,058,753	0	0	(8,383)	(8,383)
Sewer	3,054,002	2,173,973	0	0	(880,029)	(880,029)
Golf	332,023	402,919	983	0	71,879	71,879
Parking	95,912	75,824	0	0	(20,088)	(20,088)
Total business-type activities	4,549,073	3,711,469	983	0	(836,621)	(836,621)
Total	\$ 26,558,315	5,922,647	1,657,441	4,514,785	(13,626,821)	(836,621)
General Receipts:						
Property tax levied for:						
General purposes				\$ 4,232,022	0	4,232,022
Employee benefits				1,760,713	0	1,760,713
Debt service				1,237,961	0	1,237,961
Tax increment financing				1,860,065	0	1,860,065
Other city tax				285,958	44,802	330,760
Unrestricted investment earnings				298,338	60,670	359,028
Bond proceeds, net				740,000	27,220	767,220
Special assessments				77,206	0	77,206
Miscellaneous				497,221	24,336	521,557
Sale of capital assets				84,780	0	84,780
Transfers				(506,221)	506,221	0
Total general receipts and transfers				10,568,063	663,249	11,231,312
Changes in cash balances				(3,058,758)	(173,372)	(3,232,130)
Cash balances beginning of year				9,663,578	3,551,331	13,214,909
Cash balances end of year				\$ 6,604,820	3,377,959	9,982,779

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CITY OF NEWTON, IOWA  
STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Special Revenue				Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	Employee Benefits	Tax Increment Financing				
<b>Receipts:</b>								
Property tax	\$ 4,232,022	0	1,760,713	0	1,237,961	0	0	7,230,696
Tax increment financing collections	0	0	0	1,860,065	0	0	0	1,860,065
Other city tax	188,521	0	60,161	0	37,276	0	0	285,958
Licenses and permits	205,956	0	0	0	0	0	0	205,956
Use of money and property	183,406	0	27	116,020	2,406	34,551	9,753	346,163
Intergovernmental	185,586	1,298,430	0	4,280,417	0	406,810	0	6,171,243
Charges for services	1,957,417	0	0	0	0	0	0	1,957,417
Special assessments	12,671	0	0	0	64,535	0	0	77,206
Miscellaneous	397,885	0	4,286	14,155	0	80,895	0	497,221
<b>Total receipts</b>	<b>7,363,464</b>	<b>1,298,430</b>	<b>1,825,187</b>	<b>6,270,657</b>	<b>1,342,178</b>	<b>522,256</b>	<b>9,753</b>	<b>18,631,925</b>
<b>Disbursements:</b>								
Governmental activities:								
Public safety	3,672,359	0	1,495,828	0	0	0	0	5,168,187
Public works	1,266,418	848,894	50,974	0	0	0	0	2,166,286
Health and social services	12,898	0	0	0	0	0	0	12,898
Culture and recreation	1,292,282	0	252,398	0	0	0	0	1,544,680
Community and economic development	412,262	0	44,488	7,885,910	0	0	0	8,344,843
General government	970,534	0	166,295	0	0	0	0	1,136,829
Debt service	0	0	0	0	3,025,150	0	0	3,025,150
Capital projects	0	0	0	0	0	546,850	0	546,850
<b>Total disbursements</b>	<b>7,646,753</b>	<b>848,894</b>	<b>2,009,983</b>	<b>7,885,910</b>	<b>3,025,150</b>	<b>546,850</b>	<b>2,183</b>	<b>21,965,723</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(283,289)</b>	<b>449,536</b>	<b>(184,796)</b>	<b>(1,615,253)</b>	<b>(1,682,972)</b>	<b>(24,594)</b>	<b>7,570</b>	<b>(3,333,798)</b>
Other financing sources (uses):								
Bond proceeds, net	0	0	0	740,000	0	0	0	740,000
Sale of capital assets	47,633	0	0	0	0	37,147	0	84,780
Transfers in	1,019,345	0	163,406	0	1,750,461	732,399	0	3,665,611
Transfers out	(563,150)	(423,348)	0	(3,635,334)	0	0	0	(4,621,832)
<b>Total other financing sources (uses)</b>	<b>503,828</b>	<b>(423,348)</b>	<b>163,406</b>	<b>(2,895,334)</b>	<b>1,750,461</b>	<b>769,546</b>	<b>0</b>	<b>(131,441)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>220,539</b>	<b>26,188</b>	<b>(21,390)</b>	<b>(4,510,587)</b>	<b>67,489</b>	<b>744,952</b>	<b>7,570</b>	<b>(3,465,239)</b>
<b>Cash balances beginning of year</b>	<b>2,173,788</b>	<b>129,886</b>	<b>(146,792)</b>	<b>7,029,634</b>	<b>(26,857)</b>	<b>193,151</b>	<b>464,571</b>	<b>9,817,381</b>
<b>Cash balances end of year</b>	<b>\$ 2,394,327</b>	<b>\$ 156,074</b>	<b>\$ (168,182)</b>	<b>\$ 2,519,047</b>	<b>\$ 40,632</b>	<b>\$ 938,103</b>	<b>\$ 472,141</b>	<b>\$ 6,352,142</b>
Amount reported for governmental activities in the statement of activities and changes in cash balance are different because:								
Excess of receipts and other financing sources over disbursements and other financing uses								
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net loss of the internal service fund is reported with governmental activities.								
Change in cash balance of governmental activities								
								\$ (3,465,239)
								406,481
								<u>\$ (3,058,758)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CITY OF NEWTON, IOWA  
STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Enterprise Funds				Internal Service Fund Group Insurance
	Landfill	Sewer	Other Nonmajor Enterprise Funds	Total	
Receipts:					
Charges for services	\$ 1,050,974	2,173,973	403,690	3,628,637	1,484,571
Use of money and property	82,187	49,803	11,512	143,502	7,716
Other city tax	0	0	44,802	44,802	0
Intergovernmental	0	0	983	983	0
Miscellaneous	14,436	8,785	1,115	24,336	0
Total receipts	1,147,597	2,232,561	462,102	3,842,260	1,492,287
Disbursements:					
Business-type activities:					
Operations	918,160	1,886,077	427,935	3,232,172	0
Debt service	0	478,217	0	478,217	0
Capital projects	148,976	689,708	0	838,684	0
	1,067,136	3,054,002	427,935	4,549,073	0
Governmental activities:					
Non-program	0	0	0	0	1,535,806
Total disbursements	1,067,136	3,054,002	427,935	4,549,073	1,535,806
Excess(deficiency) of receipts over(under) disbursements	80,461	(821,441)	34,167	(706,813)	(43,519)
Other financing sources(uses):					
Bond proceeds, net	0	27,220	0	27,220	0
Transfers in	0	547,555	61,170	608,725	450,000
Transfers out	(61,170)	0	(41,334)	(102,504)	0
Total other financing sources(uses)	(61,170)	574,775	19,836	533,441	450,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	19,291	(246,666)	54,003	(173,372)	406,481
Cash balances beginning of year	1,918,195	1,351,719	281,417	3,551,331	(153,803)
Cash balances end of year	\$ 1,937,486	1,105,053	335,420	3,377,959	252,678

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CITY OF NEWTON, IOWA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007

**Note 1 - Summary of Significant Accounting Policies**

*Nature of Operations*

The City of Newton, Iowa, was incorporated in 1857 and operates under the Mayor/Council/Administrator form of government. The City of Newton provides a broad range of services to citizens, including general government, public safety, streets, sanitation, and health, cultural and park facilities, and social services. It also operates the airport, landfill, parking facilities, and sewer utilities.

*Reporting Entity*

For financial reporting purposes, the City of Newton, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. These criteria also include organizations that are fiscally dependent on the City.

The following component units are entities which are legally separate from the City. However, the financial transactions of these component units have not been displayed because they use a different basis of accounting.

The Newton Municipal Waterworks (Waterworks) is a municipal utility of the City of Newton, Iowa, which is operated under Chapter 338 of the Code of Iowa and the Newton City Code. The Waterworks is legally separate from the City but has the potential to provide specific benefits to, or impose specific burdens on the City. The Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. The Waterworks has been audited separately. Complete financial statements can be obtained from the Waterwork's administrative office.

Skiff Medical Center (Medical Center) is a municipal hospital of the City of Newton, Iowa, organized under Chapter 392 of the Code of Iowa, and is governed by a five-member board elected by the citizens of Newton. The Medical Center is fiscally dependent on the City because general obligation bond issuance authorizations are approved by the City Council, and the liability for the general obligation bonds remains with the City. The Medical Center has been audited separately by other auditors. Complete financial statements can be obtained from the Medical Center's administrative office.

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### *Jointly Governed Organizations*

The City also participates in several jointly governed organizations that provides goods or services to the citizenry of the city but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Poweshiek-Jasper County Task Force, the Jasper County Joint E911 Service Board, and the Jasper County Assessor's Conference Board.

### *Government-wide Financial Statements*

The government-wide financial statement (i.e., the statement of activities and changes in cash balances) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities and changes in cash balances demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Tax and other items not properly included among program receipts are reported instead as general receipts.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

### *Basis of Accounting*

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

(continued on next page)

#### Special Revenue Funds:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for the payment of employee benefits funded by the employee benefit property tax levy.

The Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

Additionally, the City reports the following major proprietary funds:

The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supposed by user charges.

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### *Budgets and Budgetary Accounting*

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except permanent funds, the internal service fund, and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements, known as functions, not by fund or fund type. These ten functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities, and non-program.

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## *Property Taxes*

By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. The levy or lien date is the date that the tax asking is certified by the City to the County. Property taxes are levied as of July 1 on property values assessed as of January 1 of the previous year. The tax levy is divided into two billings. The first billing is mailed on July 1 and the second billing is mailed on January 1. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending three months after the tax bill mailing. On these dates (September 30 and March 31), the bill becomes delinquent, and penalties and interest may be assessed by the governments.

### **Note 2 - Cash and Investments**

The City's deposits in banks at June 30, 2007, were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit, or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no assets that were classified as investments at June 30, 2007.

### **Note 3 - Bonds and Notes Payable**

Annual debt service requirements to maturity for the City's indebtedness are as follows:

(continued on next page)

Year Ending June 30,	General		Sewer Revenues		Special Assessment	
	Obligation Bonds		Capital Loan Notes		Capital Loan Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 1,470,000	\$ 891,596	\$ 322,220	\$ 411,272	\$ 35,000	\$ 9,840
2009	1,085,000	836,661	308,000	340,277	35,000	7,380
2010	1,165,000	792,451	100,000	288,216	35,000	4,920
2011	1,155,000	742,552	103,000	239,936	35,000	2,460
2012	1,200,000	693,203	107,000	196,178	-	-
2013	985,000	640,039	110,000	149,443	-	-
2014	5,299,852	594,617	113,000	114,808	-	-
2015	1,265,000	519,469	116,000	78,745	-	-
2016	1,210,000	463,481	120,000	56,540	-	-
2017	1,075,000	408,755	124,000	38,976	-	-
2018	1,130,000	360,664	127,000	30,216	-	-
2019	1,045,000	309,835	131,000	20,880	-	-
2020	830,000	262,444	135,000	16,950	-	-
2021	850,000	223,888	139,000	12,900	-	-
2022	890,000	183,512	143,000	8,730	-	-
2023	930,000	141,238	148,000	4,440	-	-
2024	975,000	97,063	-	-	-	-
2025	1,015,000	50,750	-	-	-	-
Total	\$ 23,574,852	\$ 8,212,218	\$ 2,346,220	\$ 2,008,507	\$ 140,000	\$ 24,600

Year Ending June 30,	Capital Leases		Total	
	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest
2008	\$ 72,012	\$ 2,988	\$ 1,899,232	\$ 1,315,696
2009	-	-	1,428,000	1,184,318
2010	-	-	1,300,000	1,085,587
2011	-	-	1,293,000	984,948
2012	-	-	1,307,000	889,381
2013	-	-	1,095,000	789,482
2014	-	-	5,412,852	709,425
2015	-	-	1,381,000	598,214
2016	-	-	1,330,000	520,021
2017	-	-	1,199,000	447,731
2018	-	-	1,257,000	390,880
2019	-	-	1,176,000	330,715
2020	-	-	965,000	279,394
2021	-	-	989,000	236,788
2022	-	-	1,033,000	192,242
2023	-	-	1,078,000	145,678
2024	-	-	975,000	97,063
2025	-	-	1,015,000	50,750
Total	\$ 72,012	\$ 2,988	\$ 26,133,084	\$ 10,248,313

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The resolutions providing for the issuance of the sewer revenue capital loan notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the Sewer Fund, and the note holders hold a lien on the future earnings of the fund.
- b) Establish a Subordinated Sinking Fund and make a monthly cash transfer equal to 1/6 of the installment of interest coming due on the next interest payment date plus 1/12 of the installment of principal coming due on the notes on the next succeeding principal payment date.

**Note 4 - Variable Interest Rate on 2007A Series G.O. Bonds**

During the year ended June 30, 2007, the City borrowed money to finance urban renewal. The money borrowed is at a variable interest rate with a cap at prime plus 1.25%. At June 30, 2007 the rate was 9.50%. The maximum amount of credit available to the City is \$3,721,500. It is expected that the U.S. Motorsport Corporation will be reimbursing the City for an imposed \$1 surcharge on all admission tickets sold, as well as interest on \$2 million of the line of credit used for economic development grants. Details of the City's borrowings are as follows:

Balance Beginning of Year	Increases	Decreases	Balance End of Year
\$ 3,644,852	0	0	3,644,852

**Note 5 - Employment Retirement Systems**

**MFPRSI** - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan) which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, West Des Moines, IA 50263.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, can not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2007, 2006 and 2005 were \$709,104, \$727,235, and \$664,957, respectively, which (met) exceeded the required minimum contribution for each year.

**IPERS** - The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to

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plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary, and the City is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$181,942, \$163,888, and \$169,109, respectively, equal to the required contributions for each year.

#### **Note 6 - Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 596,814</u>

Upon termination, retirement, or death, City employees are not paid for unused sick leave.

This liability has been computed based on rates of pay in effect at June 30, 2007.

#### **Note 7 - Landfill Closure and Postclosure Care**

The City of Newton has entered into an agreement with several other municipalities as allowed under Section 28E of the Code of Iowa to provide for economical and environmentally responsible disposal of solid waste and establish permanent environmental responsibility for the Newton Sanitary Landfill.

State and federal laws and regulations require the Newton Sanitary Landfill to place a final cover on its landfill site when filled and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City has estimated a total liability for the closure and postclosure of the landfill of approximately \$4,086,800. This amount is based upon the use of 88% of the estimated total capacity. The remaining \$528,852 will be recognized as the remaining capacity is filled.

These amounts are based upon what it would cost to perform all closure and postclosure care in 2007. The City expects to close the existing area of the landfill in 2011. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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As specified in the 28E agreement, the City of Newton is responsible for only 55.6%, or \$2,272,261, of the total closure and postclosure cost of the landfill. The City's proportionate share is updated annually in accordance with Section 2.2(b) of the Landfill Intergovernmental Agreement.

The City has met the closure and postclosure financial assurance requirements issued by the Iowa Department of Natural Resources by complying with the local government financial test.

#### **Note 8 - Transfers**

The details of transfers for the year ended June 30, 2007, is as follows:

	Transfers in			
	General Fund	Employee Benefits Fund	Debt Service Fund	Capital Projects Fund
Transfers out				
General fund	\$ -	\$ 113,150	\$ -	\$ -
Road use tax fund	384,102	30,341	8,905	-
Tax increment financing fund	635,243	19,915	1,700,222	732,399
Landfill fund	-	-	-	-
Nonmajor enterprise funds	-	-	41,334	-
Total	<u>\$ 1,019,345</u>	<u>\$ 163,406</u>	<u>\$ 1,750,461</u>	<u>\$ 732,399</u>

	Transfers in			
	Internal Service Fund	Sewer Fund	Nonmajor Enterprise Funds	Total
Transfers out				
General fund	\$ 450,000	\$ -	\$ -	\$ 563,150
Road use tax fund	-	-	-	423,348
Tax increment financing fund	-	547,555	-	3,635,334
Landfill fund	-	-	61,170	61,170
Nonmajor enterprise funds	-	-	-	41,334
Total	<u>\$ 450,000</u>	<u>\$ 547,555</u>	<u>\$ 61,170</u>	<u>\$ 4,724,336</u>

The transfer to the General Fund from the Road Use Tax Fund represents the reimbursement of disbursements that related to road use (traffic control, street lighting, storm sewer, sidewalks, etc.).

The transfer to the General Fund from the Tax Increment Financing (TIF) Fund represents the reimbursement of disbursements of the TIF administration and payment of loans of prior years to the TIF fund.

The transfer to the Employee Benefits Fund from the General Fund represents the reimbursement of disbursements for the benefits of General Fund employees.

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The transfer to the Employee Benefits Fund from the Road Use Tax Fund represents the reimbursement of disbursements for the benefits of the public works director and secretary.

The transfer to the Employee Benefits Fund from the Tax Increment Financing Fund represents the reimbursement of disbursements for the benefits of the economic development director.

The transfers to the Debt Service Fund are for the payment of debt.

The transfer to the Capital Projects Fund from the Tax Increment Financing Fund represents part of the bond issuance to be used for road construction.

The transfer to the Internal Service Fund from the General Fund represents a supplement increase needed for extra costs assessed due to increases in insurance premiums.

The transfer to the Sewer Fund from the Tax Increment Financing Fund represents the reimbursement for purchase of the prairie fire land from Jasper County.

The transfer to the Nonmajor Enterprise Funds represents the transfer to the Landfill Post Closure Fund from the Landfill Fund to set aside a balance to be used to pay for future costs for the closing of the current landfill.

#### **Note 9 - Risk Management**

The City of Newton is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance.

The City has established a Group Insurance Fund for insuring health benefits provided to City employees and covered dependents which are included in the Internal Service fund type. Health benefits were self-insured up to a specific stop loss amount of \$65,000, and an aggregate stop loss of approximately \$1,000,000 for 2007. Coverage from a private insurance company is maintained for losses in excess of the stop loss amount. All claims handling procedures are performed by a third-party claims administrator. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

Employees paid from all funds of the City participate in the program, and the City makes payments to the Group Insurance Fund on their behalf based on actuarial estimates of the amounts needed to pay prior-year and current-year claims.

#### **Note 10 - Deficit Fund Balances**

The Special Revenue Fund, Employee Benefits Fund, had a deficit balance of \$168,182 at June 30, 2007. The City hopes to eliminate the deficit by increasing the amounts transferred to make the payments to the insurance agent.

(continued on next page)

**Note 11 - Commitments and Contingencies**

The City's corporate counsel reported that as of June 30, 2007, various claims and lawsuits were on file against the City. The corporate counsel estimated that all potential settlements against the City not covered by insurance would not materially affect the financial position of the City. The City has authority to levy additional taxes (outside the regular limit) to cover uninsured judgments against the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEWTON, IOWA  
BUDGETARY COMPARISON OF SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN BALANCES -  
BUDGET TO ACTUAL - ALL GOVERNMENTAL FUNDS AND  
AND PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 7,230,696	0	0
Tax increment financing collections	1,860,065	0	0
Other city tax	285,958	44,802	0
Licenses and permits	205,956	0	0
Use of money and property	346,163	151,218	7,716
Intergovernmental	6,171,243	983	0
Charges for services	1,957,417	5,113,208	1,484,571
Special assessments	77,206	0	0
Miscellaneous	497,221	24,336	0
Total receipts	<u>18,631,925</u>	<u>5,334,547</u>	<u>1,492,287</u>
Disbursements:			
Public safety	5,168,187	0	0
Public works	2,186,286	0	0
Health and social services	12,898	0	0
Culture and recreation	1,544,680	0	0
Community and economic development	8,344,843	0	0
General government	1,136,829	0	0
Debt service	3,025,150	0	0
Capital projects	546,850	0	0
Business-type	0	4,549,073	0
Non-program	0	1,535,806	1,535,806
Total disbursements	<u>21,965,723</u>	<u>6,084,879</u>	<u>1,535,806</u>
Deficiency of receipts under disbursements	(3,333,798)	(750,332)	(43,519)
Other financing sources(uses), net	<u>(131,441)</u>	<u>983,441</u>	<u>450,000</u>
Excess(deficiency) of receipts and other financing sources over(under) disbursements and other financing uses	(3,465,239)	233,109	406,481
Balance beginning of year	<u>9,817,381</u>	<u>3,397,528</u>	<u>(153,803)</u>
Balance end of year	<u>\$ 6,352,142</u>	<u>3,630,637</u>	<u>252,678</u>

SEE NOTES TO FINANCIAL STATEMENTS.

Net	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
7,230,696	6,186,189	6,186,189	1,044,507
1,860,065	1,648,689	6,975,713	(5,115,648)
330,760	370,471	1,409,767	(1,079,007)
205,956	198,300	177,300	28,656
489,665	261,858	423,808	65,857
6,172,226	1,431,377	1,927,440	4,244,786
5,586,054	5,547,385	5,627,481	(41,427)
77,206	2,000	73,201	4,005
521,557	416,194	448,244	73,313
22,474,185	16,062,463	23,249,143	(774,958)
5,168,187	4,884,295	5,342,621	174,434
2,186,286	2,176,230	2,239,630	53,344
12,898	217,994	378,994	366,096
1,544,680	1,467,099	1,644,743	100,063
8,344,843	559,804	10,055,081	1,710,238
1,136,829	1,079,867	1,204,907	68,078
3,025,150	2,215,402	3,032,114	6,964
546,850	45,200	825,200	278,350
4,549,073	6,779,579	5,400,393	851,320
0	0	0	0
26,514,796	19,425,470	30,123,683	3,608,887
(4,040,611)	(3,363,007)	(6,874,540)	2,833,929
402,000	2,675,558	(24,440)	426,440
(3,638,611)	(687,449)	(6,898,980)	3,260,369
13,061,106	16,783,021	16,783,021	(3,721,915)
9,422,495	16,095,572	9,884,041	(461,546)

CITY OF NEWTON, IOWA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except permanent funds, the internal service fund, and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major class disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, and the capital projects fund. Although the budgeted document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, the budget was amended increasing budgeted disbursements by \$10,698,213. This budget amendment was reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF NEWTON, IOWA  
 COMBINING SCHEDULE OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2007

	Special Revenue		Permanent		Total
	Central Business District	Community Development Block Grant	Perpetual Care	Fred Maytag Park Endowment	
Receipts:					
Use of money and property	\$ 0	0	9,753	0	9,753
Total receipts	0	0	9,753	0	9,753
Disbursements:					
Governmental activities:					
Community and economic development	2,183	0	0	0	2,183
Total disbursements	2,183	0	0	0	2,183
Excess(deficiency) of receipts over(under) disbursements	(2,183)	0	9,753	0	7,570
Cash balances beginning of year	9,314	25,478	196,459	233,320	464,571
Cash balances end of year	\$ 7,131	25,478	206,212	233,320	472,141

CITY OF NEWTON, IOWA  
 COMBINING SCHEDULE OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES  
 NONMAJOR ENTERPRISE FUNDS  
 YEAR ENDED JUNE 30, 2007

	Landfill			
	Post Closure	Golf	Parking	Total
Receipts:				
Charges for services	\$ 0	327,866	75,824	403,690
Use of money and property	10,905	0	607	11,512
Other city tax	0	44,802	0	44,802
Intergovernmental	0	983	0	983
Miscellaneous	0	1,115	0	1,115
Total receipts	10,905	374,766	76,431	462,102
Disbursements:				
Business-type activities:				
Operations	0	332,023	95,912	427,935
Total disbursements	0	332,023	95,912	427,935
Excess(deficiency) of receipts over(under) disbursements	10,905	42,743	(19,481)	34,167
Other financing sources(uses):				
Transfers in	61,170	0	0	61,170
Transfers out	0	(41,334)	0	(41,334)
Total other financing sources(uses)	61,170	(41,334)	0	19,836
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	72,075	1,409	(19,481)	54,003
Cash balances beginning of year	253,173	3,024	25,220	281,417
Cash balances end of year	\$ 325,248	4,433	5,739	335,420

CITY OF NEWTON, IOWA  
SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
1995B Series, Urban renewal	6/1/1995	7.25 %	\$ 580,000
1999A Series, Street and park improvements and equipment	6/1/1999	4.25-4.50	1,440,000
1999B Series, Urban renewal	6/1/1999	6.30-6.85	720,000
2001A Series, Public improvements and equipment	5/24/2001	4.50-5.00	2,040,000
2001B Series, Urban renewal	5/24/2001	6.15-6.40	235,000
2002A Series, Refunding	5/29/2002	3.88	2,225,000
2002B Series, Refunding	11/1/2002	3.75	1,785,000
2003A Series, Public improvements and equipment	3/1/2003	2.65-4.25	1,515,000
2003B Series, Urban renewal	3/1/2003	4-10-5.20	725,000
2004A Series, Refunding	1/1/2004	2.45-3.75	1,060,000
2004B Series, Public improvements and equipment	9/15/2004	3.00-4.10	1,665,000
2004C Series, Public improvements and equipment	9/15/2004	3.70-5.10	1,135,000
2006A Series, Urban renewal	2/1/2006	9.50(a)	3,644,852
2006B Series, Iowa Speedway infrastructure	5/16/2006	4.25-5.00	9,700,000
2006C Series, Refunding	4/28/2006	3.60-3.80	1,290,000
2007A Series, Urban renewal	6/20/2007	5.55-5.75	740,000
Total			
Sewer Revenue Capital Loan Notes:			
2002 Sewer	4/3/2002	3.00 %	\$ 2,111,497
2003 Sewer, Refunding	3/6/2003	3.20-3.85	1,890,000
2007 Sewer	4/15/2007	3.00(b)	2,722,000
Total			
Special Assessment Capital Loan Notes:			
2001D Series	5/24/2001	7.70 %	\$ 245,000
2001E Series	5/24/2001	5.35	75,000
Total			
Capital Leases:			
Dump Truck	1/5/2002	- %	\$ 56,934
Ambulance	4/1/2003	4.15	257,790
Total			

Notes: a) Bond issued with variable interest rate with cap at prime + 1.25%.  
At June 30, 2007 the rate was 9.50%.  
b) Capital loan issued for \$2,722,000 is a similar line of credit in  
that there is no set repayment schedule at June 30, 2007.

## Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 235,000	\$ -	\$ 55,000	\$ 180,000	\$ 17,010	\$ -
835,000	-	100,000	735,000	36,483	-
480,000	-	50,000	430,000	31,473	-
1,505,000	-	120,000	1,385,000	70,320	-
155,000	-	20,000	135,000	9,708	-
500,000	-	410,000	90,000	19,375	-
555,000	-	270,000	285,000	20,138	-
1,230,000	-	85,000	1,145,000	44,493	-
660,000	-	70,000	590,000	30,688	-
935,000	-	115,000	820,000	28,648	-
1,665,000	-	20,000	1,645,000	60,286	-
1,135,000	-	120,000	1,015,000	50,200	-
3,644,852	-	-	3,644,852	345,552	-
9,700,000	-	-	9,700,000	468,874	-
1,290,000	-	255,000	1,035,000	51,671	-
-	740,000	-	740,000	-	-
<u>\$ 24,524,852</u>	<u>\$ 740,000</u>	<u>\$ 1,690,000</u>	<u>\$ 23,574,852</u>	<u>\$ 1,284,919</u>	<u>\$ -</u>
\$ 2,001,000	\$ -	\$ 92,000	\$ 1,909,000	\$ 60,030	\$ -
715,000	-	305,000	410,000	21,060	-
0	27,220	0	27,220	1,059	-
<u>\$ 2,716,000</u>	<u>\$ 27,220</u>	<u>\$ 397,000</u>	<u>\$ 2,346,220</u>	<u>\$ 82,149</u>	<u>\$ -</u>
\$ 125,000	\$ -	\$ 25,000	\$ 100,000	\$ 9,625	\$ -
50,000	-	10,000	40,000	2,675	-
<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 140,000</u>	<u>\$ 12,300</u>	<u>\$ -</u>
\$ 6,394	\$ -	\$ 6,394	\$ 0	\$ 103	\$ -
110,024	-	38,012	72,012	4,566	-
<u>\$ 116,418</u>	<u>\$ -</u>	<u>\$ 44,406</u>	<u>\$ 72,012</u>	<u>\$ 4,669</u>	<u>\$ -</u>

CITY OF NEWTON, IOWA  
BONDS AND NOTE MATURITIES  
JUNE 30, 2007

Year Ending June 30,	General Obligation Bonds					
	1995B Series		1999A Series		1999B Series	
	Issued June 1, 1995		Issued June 1, 1999		Issued June 1, 1999	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	7.25 %	\$ 55,000	4.25 %	\$ 100,000	6.30 %	\$ 50,000
2009	7.25	60,000	4.25	105,000	6.35	55,000
2010	7.25	65,000	4.30	110,000	6.45	55,000
2011	-	0	4.40	110,000	6.55	60,000
2012	-	0	4.50	100,000	6.70	65,000
2013	-	0	4.50	105,000	6.80	70,000
2014	-	0	4.50	105,000	6.85	75,000
2015	-	0	-	0	-	0
2016	-	0	-	0	-	0
2017	-	0	-	0	-	0
2018	-	0	-	0	-	0
2019	-	0	-	0	-	0
2020	-	0	-	0	-	0
2021	-	0	-	0	-	0
2022	-	0	-	0	-	0
2023	-	0	-	0	-	0
2024	-	0	-	0	-	0
2025	-	0	-	0	-	0
		<u>\$ 180,000</u>		<u>\$ 735,000</u>		<u>\$ 430,000</u>

Year Ending June 30,	General Obligation Bonds					
	2001A Series		2001B Series		2002A Series	
	Issued May 24, 2001		Issued May 24, 2001		Issued May 29, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	4.50 %	\$ 125,000	6.15 %	\$ 25,000	3.88 %	\$ 90,000
2009	4.50	135,000	6.20	25,000	-	0
2010	4.50	140,000	6.30	25,000	-	0
2011	4.50	145,000	6.35	30,000	-	0
2012	4.60	155,000	6.40	30,000	-	0
2013	4.70	160,000	-	0	-	0
2014	4.80	165,000	-	0	-	0
2015	4.90	175,000	-	0	-	0
2016	5.00	185,000	-	0	-	0
2017	-	0	-	0	-	0
2018	-	0	-	0	-	0
2019	-	0	-	0	-	0
2020	-	0	-	0	-	0
2021	-	0	-	0	-	0
2022	-	0	-	0	-	0
2023	-	0	-	0	-	0
2024	-	0	-	0	-	0
2025	-	0	-	0	-	0
		<u>\$ 1,385,000</u>		<u>\$ 135,000</u>		<u>\$ 90,000</u>

(continued)

CITY OF NEWTON, IOWA  
BONDS AND NOTE MATURITIES  
JUNE 30, 2007

Year Ending June 30,	General Obligation Bonds					
	2002B Series		2003A Series		2003B Series	
	Issued November 1, 2002		Issued March 1, 2003		Issued March 1, 2003	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	3.75 %	\$ 285,000	2.65 %	\$ 85,000	4.10 %	\$ 75,000
2009	-	0	2.95	90,000	4.10	75,000
2010	-	0	3.20	90,000	4.50	80,000
2011	-	0	3.40	95,000	4.75	85,000
2012	-	0	3.65	100,000	5.00	90,000
2013	-	0	3.80	105,000	5.10	90,000
2014	-	0	4.00	105,000	5.20	95,000
2015	-	0	4.00	110,000	-	0
2016	-	0	4.10	115,000	-	0
2017	-	0	4.20	120,000	-	0
2018	-	0	4.25	130,000	-	0
2019	-	0	-	0	-	0
2020	-	0	-	0	-	0
2021	-	0	-	0	-	0
2022	-	0	-	0	-	0
2023	-	0	-	0	-	0
2024	-	0	-	0	-	0
2025	-	0	-	0	-	0
		<u>\$ 285,000</u>		<u>\$ 1,145,000</u>		<u>\$ 590,000</u>

Year Ending June 30,	General Obligation Bonds					
	2004A Series		2004B Series		2004C Series	
	Issued January 1, 2004		Issued September 15, 2004		Issued September 15, 2004	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	2.45 %	\$ 110,000	3.00 %	\$ 110,000	3.70 %	\$ 125,000
2009	2.70	105,000	3.00	115,000	4.10	130,000
2010	2.90	105,000	3.25	120,000	4.30	135,000
2011	3.20	100,000	3.25	125,000	4.60	145,000
2012	3.45	100,000	3.50	130,000	4.80	150,000
2013	3.55	100,000	3.50	130,000	5.00	160,000
2014	3.65	100,000	3.63	135,000	5.10	170,000
2015	3.75	100,000	3.75	145,000	-	0
2016	-	0	3.88	150,000	-	0
2017	-	0	4.00	155,000	-	0
2018	-	0	4.10	160,000	-	0
2019	-	0	4.10	170,000	-	0
2020	-	0	-	0	-	0
2021	-	0	-	0	-	0
2022	-	0	-	0	-	0
2023	-	0	-	0	-	0
2024	-	0	-	0	-	0
2025	-	0	-	0	-	0
		<u>\$ 820,000</u>		<u>\$ 1,645,000</u>		<u>\$ 1,015,000</u>

(continued)

CITY OF NEWTON, IOWA  
BONDS AND NOTE MATURITIES  
JUNE 30, 2007

Year Ending June 30,	General Obligation Bonds					
	2006A Series		2006B Series		2006C Series	
	Issued May 15, 2006		Issued May 15, 2006		Issued April 28, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	9.20 %	\$ 0	4.25 %	\$ 0	3.60 %	\$ 235,000
2009	9.20	0	4.25	0	3.65	190,000
2010	9.20	0	4.25	0	3.70	195,000
2011	9.20	0	4.25	0	3.75	200,000
2012	9.20	0	4.25	0	3.80	215,000
2013	9.20	0	4.25	0	-	0
2014	9.20	3,644,852	4.25	635,000	-	0
2015	-	0	4.50	660,000	-	0
2016	-	0	4.50	685,000	-	0
2017	-	0	4.50	715,000	-	0
2018	-	0	4.50	750,000	-	0
2019	-	0	4.50	780,000	-	0
2020	-	0	4.63	815,000	-	0
2021	-	0	4.75	850,000	-	0
2022	-	0	4.75	890,000	-	0
2023	-	0	4.75	930,000	-	0
2024	-	0	4.75	975,000	-	0
2025	-	0	5.00	1,015,000	-	0
		<u>\$ 3,644,852</u>		<u>\$ 9,700,000</u>		<u>\$ 1,035,000</u>

Year Ending June 30,	General Obligation Bonds		
	2007A Series		
	Issued June 20, 2007		
	Interest Rates	Amount	Total
2008	- %	\$ 0	\$ 1,470,000
2009	-	0	1,085,000
2010	5.75	45,000	1,165,000
2011	5.75	60,000	1,155,000
2012	5.75	65,000	1,200,000
2013	5.75	65,000	985,000
2014	5.75	70,000	5,299,852
2015	5.50	75,000	1,265,000
2016	5.50	75,000	1,210,000
2017	5.50	85,000	1,075,000
2018	5.55	90,000	1,130,000
2019	5.60	95,000	1,045,000
2020	5.75	15,000	830,000
2021	-	0	850,000
2022	-	0	890,000
2023	-	0	930,000
2024	-	0	975,000
2025	-	0	1,015,000
		<u>\$ 740,000</u>	<u>\$ 23,574,852</u>

(continued)

CITY OF NEWTON, IOWA  
BONDS AND NOTE MATURITIES  
JUNE 30, 2007

Year Ending June 30,	Sewer Revenue Capital Loan Notes					
	Issued April 15, 2007		Issued April 3, 2002		Issued May 24, 2001	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	3.00 %	\$ 27,220	3.00 %	\$ 95,000	3.20-3.40 %	\$ 200,000
2009	-	0	3.00	98,000	3.50-3.85	210,000
2010	-	0	3.00	100,000	-	0
2011	-	0	3.00	103,000	-	0
2012	-	0	3.00	107,000	-	0
2013	-	0	3.00	110,000	-	0
2014	-	0	3.00	113,000	-	0
2015	-	0	3.00	116,000	-	0
2016	-	0	3.00	120,000	-	0
2017	-	0	3.00	124,000	-	0
2018	-	0	3.00	127,000	-	0
2019	-	0	3.00	131,000	-	0
2020	-	0	3.00	135,000	-	0
2021	-	0	3.00	139,000	-	0
2022	-	0	3.00	143,000	-	0
2023	-	0	3.00	148,000	-	0
		<u>\$ 27,220</u>		<u>\$ 1,909,000</u>		<u>\$ 410,000</u>

Year Ending June 30,	Sewer Revenue Capital Loan Notes	
	Total	
2008	\$	322,220
2009		308,000
2010		100,000
2011		103,000
2012		107,000
2013		110,000
2014		113,000
2015		116,000
2016		120,000
2017		124,000
2018		127,000
2019		131,000
2020		135,000
2021		139,000
2022		143,000
2023		148,000
	<u>\$</u>	<u>2,346,220</u>

(continued)

CITY OF NEWTON, IOWA  
BONDS AND NOTE MATURITIES  
JUNE 30, 2007

Special Assessment Capital Loan Notes						
Year Ending June 30,	2001D Series		2001E Series		Total	
	Issued May 24, 2001		Issued May 24, 2001			
	Interest	Amount	Interest	Amount		
	Rates		Rates			
2008	7.70 %	\$ 25,000	5.35 %	\$ 10,000	\$ 35,000	
2009	7.70	25,000	5.35	10,000	35,000	
2010	7.70	25,000	5.35	10,000	35,000	
2011	7.70	25,000	5.35	10,000	35,000	
		<u>\$ 100,000</u>		<u>\$ 40,000</u>	<u>\$ 140,000</u>	
Capital Leases						
	Ambulances					
	Issued April 1, 2003					
Year Ending June 30,	Interest	Amount				
	Rates					
2008	4.15	\$ 72,012				
		<u>\$ 72,012</u>				

CITY OF NEWTON, IOWA  
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED JUNE 30, 2007

	2007	2006	2005	2004
Receipts:				
Property tax	\$ 7,230,696	5,994,989	5,654,908	5,758,479
Tax increment financing collections	1,860,065	1,691,755	1,508,311	872,463
Other city tax	285,958	328,427	314,247	322,489
Licenses and permits	205,956	225,130	161,605	171,658
Use of money and property	346,163	244,662	192,121	210,000
Intergovernmental	6,171,243	1,799,776	2,203,808	2,458,778
Charges for services	1,957,417	1,942,775	1,905,605	1,707,917
Special assessments	77,206	15,647	7,123	20,695
Miscellaneous	497,221	960,438	440,812	588,492
Total receipts	<u>\$ 18,631,925</u>	<u>13,203,599</u>	<u>12,388,540</u>	<u>12,110,971</u>
Disbursements:				
Governmental activities:				
Public safety	\$ 5,168,187	5,024,945	4,977,075	4,805,464
Public works	2,186,286	2,109,548	2,282,945	2,159,562
Health and social services	12,898	14,721	40,177	287,589
Culture and recreation	1,544,680	1,456,883	1,525,350	1,271,987
Community and economic development	8,344,843	7,677,471	1,435,070	999,778
General government	1,136,829	1,114,948	985,365	1,018,977
Debt service	3,025,150	3,569,991	2,164,850	2,449,921
Capital projects	546,850	1,092,201	2,915,109	975,263
Total disbursements	<u>\$ 21,965,723</u>	<u>22,060,708</u>	<u>16,325,941</u>	<u>13,968,541</u>

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## **COMPLIANCE SECTION**

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Newton, Iowa as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Newton, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Newton, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Newton, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Newton, Iowa's ability to initiate, authorize, record, process, or report financial data reliability in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Newton, Iowa's financial statements that is more than inconsequential will not be prevented or detected by City of Newton, Iowa's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Newton, Iowa's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Members American Institute & Iowa Society of Certified Public Accountants

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Newton, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Newton, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Newton, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Newton, Iowa and other parties to whom City of Newton, Iowa may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Newton, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2008

CITY OF NEWTON, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual has the ability to enter cash receipts, reconcile bank accounts, reconcile investments, and make entries to the general ledger.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult and the City has taken some steps to help minimize this problem. While the individual mentioned above has the ability to perform each of the functions listed, she is not doing so on a daily basis. However, the City should continually review its control procedures to obtain the maximum internal control possible under the circumstances, and management needs to be aware of the importance of segregating duties when assigning job responsibilities.

Response - The City is aware of the auditor's recommendation and has made a number of changes in its practices since this issue was first identified in the 1995 audit. Given the size of our administration staff compared to the range of City administrative responsibilities, some overlay of duties is necessary. The City Administrator and Director of Administrative Services are currently exploring ways to have more segregation of duties in the general administrative office.

Conclusion - Response accepted.

- I-B-07 Check Signatures - We noted during our audit that there was a check written from the General Fund that had no signatures.

Recommendation - The City should review procedures in place to ensure checks written have two signatures.

Response - To ensure checks written have the appropriate two signatures on them the following is being implemented: The staff person doing the check writing will complete the check with the signatures and then have it verified for signatures by another staff member, a spreadsheet will be kept and logged for all checks written, effective immediately. We also visited with the bank, as the bank without the authorized two signatures should have never accepted this check. Also noted was this check was duly authorized.

Conclusion - Response accepted.

CITY OF NEWTON, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - City disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that fail to meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-07 Business Transactions - There were no business transactions between the City and City officials or employees that appear to represent a conflict of interest.
- II-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-07 Revenue Bonds - No instances of non-compliance with the provisions of the City's revenue bond resolutions were noted.
- II-H-07 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy.
- II-I-07 Solid Waste Fees Retainage - The City used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- II-J-07 Financial Condition - The City had a deficit cash balance of \$168,182 in the Special Revenue - Employee Benefit Fund.

Recommendation - The City should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will monitor the deficit fund and investigate alternatives to eliminate the deficit.

Conclusion - Response accepted.

**STATISTICAL SECTION  
(UNAUDITED)**

Table 1

CITY OF NEWTON, IOWA  
TAX INCREMENT FINANCING FUND - STATEMENT OF CASH RECEIPTS  
AND DISBURSEMENTS (UNAUDITED)  
INCEPTION TO JUNE 30, 2007

Operating receipts:	
Bond proceeds	\$ 26,392,913
Interest on investments	85,295
Sale of property	1,195,701
Property taxes	13,211,373
Intergovernmental	4,280,417
Miscellaneous	592,339
	<hr/>
	45,758,038
	<hr/>
Operating disbursements:	
Property acquisition and improvement	8,254,401
Property demolition	368,432
Economic development grants	12,148,040
Legal and administrative	613,710
Property taxes	94,716
Relocation	47,050
Operating supplies	15,139
Structures	61,929
Refunds	506,000
Revenue bond principal	1,430,000
Revenue bond interest	878,194
Street improvements	1,239,670
City Hall site improvements	545,658
Private development improvements	457,407
Skiff Medical Center	280,000
Manufactured Gas Plant	1,877
Payment to other agencies	610,369
	<hr/>
	27,552,592
	<hr/>
Operating receipts over operating disbursements	18,205,446
Other transactions:	
Transfer to Debt Service Fund - bond interest	(14,030,002)
Transfer to General Fund - economic development	(2,218,323)
Transfer to Central Business District	(2,500)
Transfer to Employee Benefits Fund	(33,519)
Transfer to Capital Projects Fund	(731,139)
Transfer to Sewer Fund	(547,555)
Interfund loan	1,876,639
	<hr/>
Cash and investment balance at June 30, 2007	\$ 2,519,047
	<hr/>

Note: During fiscal year 1988, the City established a tax increment financing district to generate revenues to assist the City in funding responsibility for an urban renewal plan. Under the urban renewal plan, the City purchases properties located within the district to be demolished for development. The City issued bonds to initially fund this plan, which will be retired from fund revenues through transfers to the Debt Service Fund.

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Table 2

CITY OF NEWTON, IOWA  
COMPARISON OF ENTERPRISE FUNDS CHARGES FOR  
SERVICES RECEIPTS (UNAUDITED)

<u>Year Ended June 30</u>	<u>Golf</u>	<u>Landfill</u>	<u>Sewer</u>	<u>Parking</u>
1998	\$ 211,087	\$ 963,045	\$ 1,552,867	\$ 74,424
1999	237,829	1,016,244	1,624,456	71,803
2000	247,336	1,066,190	1,727,724	64,783
2001	252,813	1,023,040	1,663,932	64,157
2002	310,166	1,101,874	1,799,290	68,049
2003	337,385	1,004,252	1,907,363	80,521
2004	361,043	1,207,756	1,996,295	78,717
2005	382,123	1,094,907	2,158,385	87,684
2006	347,108	1,004,324	2,201,492	78,449
2007	327,866	1,050,974	2,173,973	75,824

CITY OF NEWTON, IOWA  
COMPARITIVE TOTAL AND PER CAPITA PROGRAM DISBURSEMENTS (UNAUDITED)

Year Ended June 30	Population Per Census	Public Safety Disbursements		Public Works Disbursements		Health and Social Services Disbursements		Culture and Recreation Disbursements		Community and Economic Development Disbursements	
		Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita
1998	14,789**										
1999	14,789**										
2000	14,789**										
2001	15,579***										
2002	15,579***										
2003	15,579***	\$ 4,545,241	\$ 291.75	\$ 1,983,636	\$ 127.33	\$ 82,434	\$ 5.29	\$ 1,604,289	\$ 102.98	\$ 704,691	\$ 45.23
2004	15,579***	\$ 4,758,804	\$ 305.46	\$ 2,147,898	\$ 137.87	\$ 280,590	\$ 18.01	\$ 1,260,323	\$ 80.90	\$ 968,114	\$ 63.43
2005	15,579***	\$ 5,023,931	\$ 322.48	\$ 2,293,480	\$ 147.22	\$ 40,177	\$ 2.58	\$ 1,536,731	\$ 98.64	\$ 1,438,161	\$ 92.31
2006	15,579***	\$ 5,164,297	\$ 331.49	\$ 2,140,871	\$ 137.42	\$ 14,721	\$ 0.94	\$ 1,490,716	\$ 95.69	\$ 7,686,675	\$ 493.40
2007	15,579***	\$ 5,189,928	\$ 333.14	\$ 2,191,174	\$ 140.65	\$ 12,898	\$ 0.83	\$ 1,549,961	\$ 99.49	\$ 8,346,277	\$ 535.74

\* Prior to 2003 disbursements were reported by programs. Function information is not available for these years.

\*\* 1990 census figures

\*\*\* 2000 census figures

Table 3

General Government Disbursements		Debt Service Disbursements		Capital Projects Disbursements		Business-type Activities Disbursements		Total Disbursements	
Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita
								\$ 19,084,191	\$ 1,290.43
								\$ 18,034,278	\$ 1,219.44
								\$ 17,836,493	\$ 1,206.06
								\$ 17,936,321	\$ 1,151.31
								\$ 18,929,396	\$ 1,215.06
\$ 1,105,423	\$ 70.96	\$ 4,155,529	\$ 266.74	\$ 1,036,483	\$ 66.53	\$ 7,110,440	\$ 456.41	\$ 22,328,166	\$ 1,433.22
\$ 1,014,311	\$ 65.11	\$ 2,449,921	\$ 157.26	\$ 975,263	\$ 62.61	\$ 3,577,958	\$ 229.67	\$ 17,453,182	\$ 1,120.30
\$ 1,007,296	\$ 64.66	\$ 2,164,850	\$ 138.96	\$ 2,915,109	\$ 187.12	\$ 4,158,222	\$ 266.91	\$ 20,577,957	\$ 1,320.88
\$ 1,180,160	\$ 75.75	\$ 3,569,991	\$ 229.15	\$ 1,092,201	\$ 70.11	\$ 3,178,050	\$ 204.00	\$ 25,517,682	\$ 1,637.95
\$ 1,147,004	\$ 73.63	\$ 3,025,150	\$ 194.18	\$ 546,850	\$ 35.10	\$ 4,549,073	\$ 292.00	\$ 26,558,315	\$ 1,704.75

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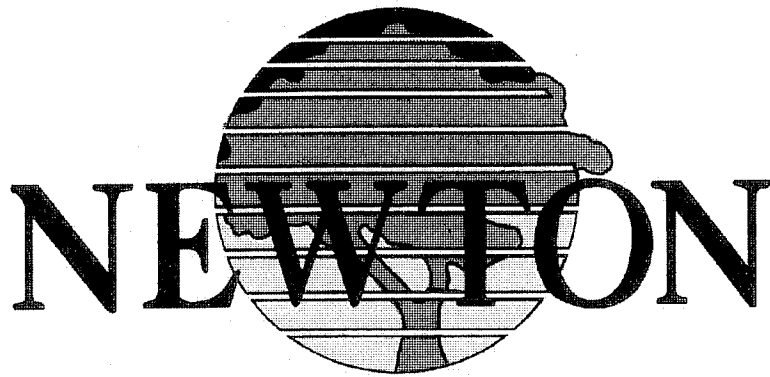


Table 4

CITY OF NEWTON, IOWA  
COMPARATIVE PROPERTY TAX RECEIPTS\* BY FUND TYPE (UNAUDITED)

<u>Year Ended June 30</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>
1998	\$ 3,320,362	\$ 2,150,861	\$ 1,187,108
1999	3,464,404	2,209,366	1,197,079
2000	3,581,029	2,285,484	1,166,506
2001	3,628,493	2,217,650	1,104,795
2002	3,809,166	2,174,281	1,152,609
2003	3,962,126	2,346,229	1,212,722
2004	3,419,134	2,200,265	1,019,238
2005	3,210,594	1,737,090	924,383
2006	3,640,718	1,753,991	944,354
2007	4,433,214	1,820,874	1,339,772

\* Includes special assessments

CITY OF NEWTON, IOWA  
COMPARATIVE PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)

<u>Year Ended June 30</u>	<u>Collection Year Ended June 30</u>	<u>Total Property Tax Levy</u>	<u>Current Property Tax Collections</u>
1997	1998	\$ 5,732,255	\$ 5,763,270
1998	1999	5,922,601	5,934,327
1999	2000	5,976,126	6,025,184
2000	2001	5,810,661	6,004,953
2001	2002	6,002,909	6,289,066
2002	2003	6,051,121	6,456,534
2003	2004	5,888,462	6,175,595
2004	2005	5,917,919	5,654,909
2005	2006	5,987,798	5,994,989
2006	2007	6,186,189	7,230,696

Table 5

<u>Percent of Property Tax Levy Collected</u>	<u>Delinquent Property Tax Collections</u>	<u>TIF Property Tax Collections</u>	<u>Total Property Tax Collections</u>
100.54%	\$ 1,189	\$ 887,283	\$ 6,651,742
100.20%	2,361	958,457	6,895,145
100.82%	373	1,027,627	7,053,184
103.34%	899	955,535	6,961,387
104.77%	1,249	857,895	7,148,210
106.70%	553	979,530	7,436,617
104.88%	3,509	934,565	7,113,669
95.56%	7,491	1,508,311	7,170,711
100.12%	1,060	1,691,755	7,687,804
116.88%	1,387	1,860,065	9,092,148

CITY OF NEWTON, IOWA  
COMPARATIVE PROPERTY TAX RATES PER \$1,000 OF  
ASSESSED VALUATION (UNAUDITED)

Levy Year	Collection Year Ended June 30	Levy For			
		Newton School District	City of Newton	Jasper County	Area Schools
1998	1999	\$ 13.08458	\$ 15.55000	\$ 8.91021	\$ 0.50551
1999	2000	15.39680	15.41000	9.87591	0.52451
2000	2001	15.40482	15.10449	7.12568	0.54506
2001	2002	15.04789	15.10000	7.02263	0.54454
2002	2003	15.83348	15.53000	5.84654	0.54584
2003	2004	16.40942	15.38000	5.89480	0.58184
2004	2005	17.19063	15.94998	8.06036	0.59856
2005	2006	16.78900	15.95000	9.16450	0.68408
2006	2007	16.91412	16.63000	9.24852	0.68688
2007	2008	16.48184	15.79100	9.17034	0.60276

Table 6

<u>Extension Council</u>	<u>County Assessor</u>	<u>Tuerculosis Eradication</u>	<u>Total</u>	<u>Percent of City of Newton Levy to Total Levy</u>
\$ 0.09538	\$ 0.02635	\$ 0.00500	\$ 38.17703	40.73%
0.09314	0.24894	0.00500	41.55430	37.08%
0.10559	0.31415	0.00500	38.60479	39.13%
0.11130	0.31981	0.00500	38.15117	39.58%
0.13572	0.32864	0.00400	38.22422	40.63%
0.14192	0.31173	0.00400	38.72371	39.72%
0.14490	0.30222	0.00400	42.25065	37.75%
0.14902	0.34677	0.00400	43.08737	37.02%
0.16251	0.38972	0.00400	44.03575	37.76%
0.15230	0.38173	0.00350	42.58347	37.08%

Table 7

CITY OF NEWTON, IOWA  
COMPARATIVE RATION OF GENERAL OBLIGATION BONDED DEBT TO TAXABLE VALUE  
AND GENERAL OBLIGATION BONDED DEBT PER CAPITA (UNAUDITED)

Date	Population Per Census	Taxable Value (Agricultural Land Included)	General Obligation Bonded Debt	Ratio of General Obligation Bonded Debt to Taxable Value	General Obligation Bonded Debt Per Capita
6/30/1998	14,789*	\$ 417,849,040	\$ 12,806,147 (1) (2)	0.030648	\$ 865.92
6/30/1999	14,789*	421,775,111	13,642,013 (1) (2)	0.032344	922.44
6/30/2000	14,789*	423,094,033	13,268,803 (1) (2)	0.031361	897.21
6/30/2001	15,579**	434,293,599	14,514,058 (1) (2)	0.033420	931.64
6/30/2002	15,579**	427,155,346	12,978,392 (1) (2)	0.030383	833.07
6/30/2003	15,579**	418,921,161	13,963,029 (1) (2)	0.033331	896.27
6/30/2004	15,579**	427,155,346	13,032,467 (1) (2)	0.030509	836.54
6/30/2005	15,579**	420,783,396	13,125,190 (1) (2)	0.031192	842.49
6/30/2006	15,579**	426,286,988	24,042,419 (1) (2)	17.730620	1,543.26
6/30/2007	15,579**	422,991,842	26,133,084 (1) (2)	16.186067	1,677.46

\* 1990 census figures.

\*\* 2000 census figures.

(1) Includes capital loan notes payable.

(2) Includes future capital lease payments.

Table 8

CITY OF NEWTON, IOWA  
SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)  
JUNE 30, 2007

Fire and extended property coverage - all risk - \$1,000 deductible:	
APD Vehicle	\$ 4,033,391
Buildings	26,934,070
Personal property	3,607,348
Miscellaneous property	2,980,216
Fire and extended property coverage - all risk - \$500 deductible:	
EDP Hardware	72,200
Comprehensive automobile coverage:	
Bodily injury	2,000,000
Property damage	2,000,000
Uninsured motorist/underinsured motorist	1,000,000
Comprehensive	100 deductible
Collision	1,000 deductible
Comprehensive general liability	2,000,000
Boiler explosion damage to boiler and building	1,500,000
Umbrella excess liability coverage(includes auto bodily injury and property damage)	3,000,000
Ambulance and EMT professional liability	2,000,000
Airport liability	5,000,000
City clerk legal liability bond(errors and omissions)	2,000,000
Public officials liability	2,000,000
Workers' compensation	Statutory limit

CITY OF NEWTON, IOWA  
SEWER FUND DATA (UNAUDITED)  
JUNE 30, 2007

Sewer customers served at June 30, 2006

6,211

Sewer rates in effect at June 30, 2006:

Minimum charge of \$7.11 per month plus \$2.28/100 cubic feet over the first 200 cubic feet used.

A surcharge factor is levied for the following customers whose waste waters exceed normal domestic waste water:

<u>Customer Type</u>	<u>Surcharge Factor</u>
Newton schools	1.1
Laundry, including industrial laundries, commercial laundries, and laundromatic	1.2
Car washes	1.3
Restaurants - including quick serve and sit-down types	1.6
Bakeries	1.4
Nursing homes	1.6

CITY OF NEWTON, IOWA  
MISCELLANEOUS STATISTICAL DATA (UNAUDITED)  
JUNE 30, 2007

Ten Largest Employers in Jasper County

<u>Name (1)</u>	<u>Business Activity</u>
Skiff Medical Center	Hospital
Progress Industries	Contract assembly
Wal-Mart, Inc.	Retail
Iowa Telecom	Communications
Hy-Vee Corporation	Food retailer
CGB Printing	Commercial printing
Rock Communications	Commercial printing
The Vernon Company	Specialty advertising
Seabury & Smith	Insurance
Newton Manufacturing	Specialty advertising

Ten Largest Taxpayer by Assessed Valuation (does not include utilities)

<u>Name (2)</u>	<u>Business Activity</u>
Maytag Company	Manufacturing
Wesley Retirement Services, Inc.	Retirement home
Newton Village	Retirement home
Wal-Mart, Inc.	Retail
Hy-Vee Corporation	Food retailer
Washington Motel Association, LC	Hotel
Walters Investment/Dave Walters	Real estate
Des Moines Area Community College Foundation	Education
US Bank	Banking
The Vernon Company	Specialty advertising

(1) Source - Iowa Workforce Development

(2) Source - City's Assessor's Office

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